

## **GLOBAL FINANCIAL FLOWS: SHIFTING THE BALANCE**

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*On the basis of comparative analysis of the basic groups of national economic indicators, provided by The World Bank, the changes in balance in financial resources distribution are defined. The gradual shifting of center of generation of financial resources from North America to Middle, Eastern and South Asia is discovered. The factors that influence on the given processes are shown, and the main future trends of global economy are substantiated.*

### **INTRODUCTION**

Globalization and integration are the main trends of the nearest past, present and future. These processes, which have involved all countries of the World, has become the cause of different both positive and negative changes in the different fields of human life. The economic and financial crises of 2008-2009 have changed a lot in manner of leading the business and economies: the priorities in development and regulation have been shifted from the one hand to careful risk-free conduction and tough regulation, and, from the other hand, to revival of national peculiarities of business, to strengthening the government support of domestic producers. So, the new trend of development of the global economy is the globalization with national priorities.

Modern conditions require the virtuous balancing between national and global interests on each level of economy and in each sector of it. Polarization of positions of different countries [3, 7, 16] has caused the deepening of the differences in guiding lines for development inside them. This leads to development of two practically polar styles of business:

- the first one – business oriented on globalization and integration;
- the second one – business oriented on domestic development.

It should be underlined that the third model (the combination of the basic two ones) should be considered as well – balancing between globalization and domestic interests. Each model reflects in the financial flows and indicators of the national economy, which shows the real (not only politically declared) preferences of development.

Problems connected to the issue of distribution of the financial resources in the world, accumulation of the economic and financial power were considered in the different researches by scientists from different countries. The boom of such researches has fallen on the period after the Asian crisis of 1998. On the wave of the interest to the initial causes and main consequences of this crisis the scientists have been divided into several groups. The first group of the scientists has tried to consider the monetary [5, 6, 15] and economic [4, 9] background of the crises, to explain the miscalculations of national governments and international financial organizations in providing the economic and financial policy in the country and in the regions [10-12, 14]. The second group has preferred looking for the cause of the crisis in the institutional imperfection of the global economy [1, 8, 13], explaining the crisis as the consequence of imbalance of the interests of different economic groups (households, government, markets, enterprises, financial institutions, etc.). But it should be mentioned that the voice of the second group of scientists was not enough strong to change the point of view of politicians and businessmen. In many respects, the passive position of the politicians and traditional economists including top managers of the financial institutions in terms of considering the necessity of institutional improvement of the global economy became the incitement for the global economy to come to financial and economic crisis in 2008-2009.

Never the less, the financial crisis of 2008-2009 has led to shifting the balance in the financial and economic power distribution. Thus, the goal of the presented article is to define the basic changes in global distribution of financial resources, to find out the main causes of these changes, and to substantiate the overall trends which will have an influence on the development of the global economy in future.

## 1. DISTRIBUTION OF THE ECONOMIC POWER: CHANGING THE LEADER?

The analysis was conducted for two types of classification of the countries:

- by basic regions of the World; Europe & Central Asia, European Union (including Euro area), North America, Middle East & North Africa, East Asia & Pacific, South Asia, Latin America & Caribbean;
- by level of income: High income, Upper middle income, Middle income, Lower middle income, Low income.

Such classification was accepted in order to compare the changes in the regional distribution with changes in distribution between income levels. In order to define the directions of changes in the global distribution of the economic and financial power the selected indexes were compound by the decomposition tree (fig. 1). The comparison of the indexes has been made between two periods: contribution of country in creation of global financial resources in 2010 was compared with contribution in 2000. This approach has been chosen in order to compare the pre-crisis trends in the global economic and financial power distribution with essential changes, which are the consequences of the economic crisis of 2008-2009.

As it shown, the economic and financial power of the country can be reflected as a result of creation, distribution and accumulation of the financial resources by the different participants of the global market (fig. 1).

The overall conceptual trends in redistribution of the economic and financial power between groups of countries can be shown by analysis of changes in contribution of the given group into total GDP and GNI (Table 1).

Table 1  
Change of role of countries' groups in accumulation of global financial resources

Groups of Countries (by regions of the World)	Changes in contribution of the country into accumulated global financial flow		Changes in productivity of the country in accumulation of national financial flow		Changes in contribution in creation of nominal global reserves (minus gold)
	in nominal GNI	in nominal GDP	real GNI per capita	real GDP per capita	
Europe & Central Asia	2,1%	2,0%	14,5%	14,2%	-7,3%
European Union	-0,5%	-0,6%	11,2%	10,6%	-11,0%
Euro area	-0,1%	-0,2%	7,1%	6,5%	-9,1%
<b>North America</b>	<b>-7,7%</b>	<b>-7,5%</b>	<b>6,1%</b>	<b>6,5%</b>	<b>-2,6%</b>
Middle East & North Africa	1,3%	1,1%	24,1%	24,3%	4,4%
East Asia & Pacific	0,9%	0,8%	33,4%	33,0%	<b>5,8%</b>
<b>South Asia</b>	1,3%	1,3%	<b>69,1%</b>	<b>67,3%</b>	1,1%
Latin America & Caribbean	1,6%	1,6%	22,3%	22,0%	-1,3%

Source: calculated on the basis of the World Bank data [17]

Analysis of contribution of each group of the countries into the global GDP and GNI has shown that the balance, which was supported for many years, has shifted seriously. Contribution of the world leaders of the economy (North America and European Union) has fallen about on 8% and the accent has moved to Central and South Asia (3.4%), Middle East & North Africa (1.3%), Latin America & Caribbean (1.6%) both in GDP and GNI.

Against this background the productivity of the labor has raised in South Asia on 69.1% in GDP and 67.3% in GNI an only on 6.1% and 6.5% correspondently in North America, 11.2% in EU. Of course, it should be underlined that for the present the North America still obtains one of the leading role in creation of the global GDP (25.3%) and GNI (25.6%). But if in 2000 the leading role totally belonged to the North America (32.9% of GDP and 33.3% of GNI), in 2010 the economic and financial power have been shifted to Europe & Central Asia (former USSR and Yugoslavia countries plus Albania, Bulgaria, Romania and Turkey - 31.7% of GDP and GNI) and proportionally distributed between East Asia & Pacific (25.8%), EU (25.6%).

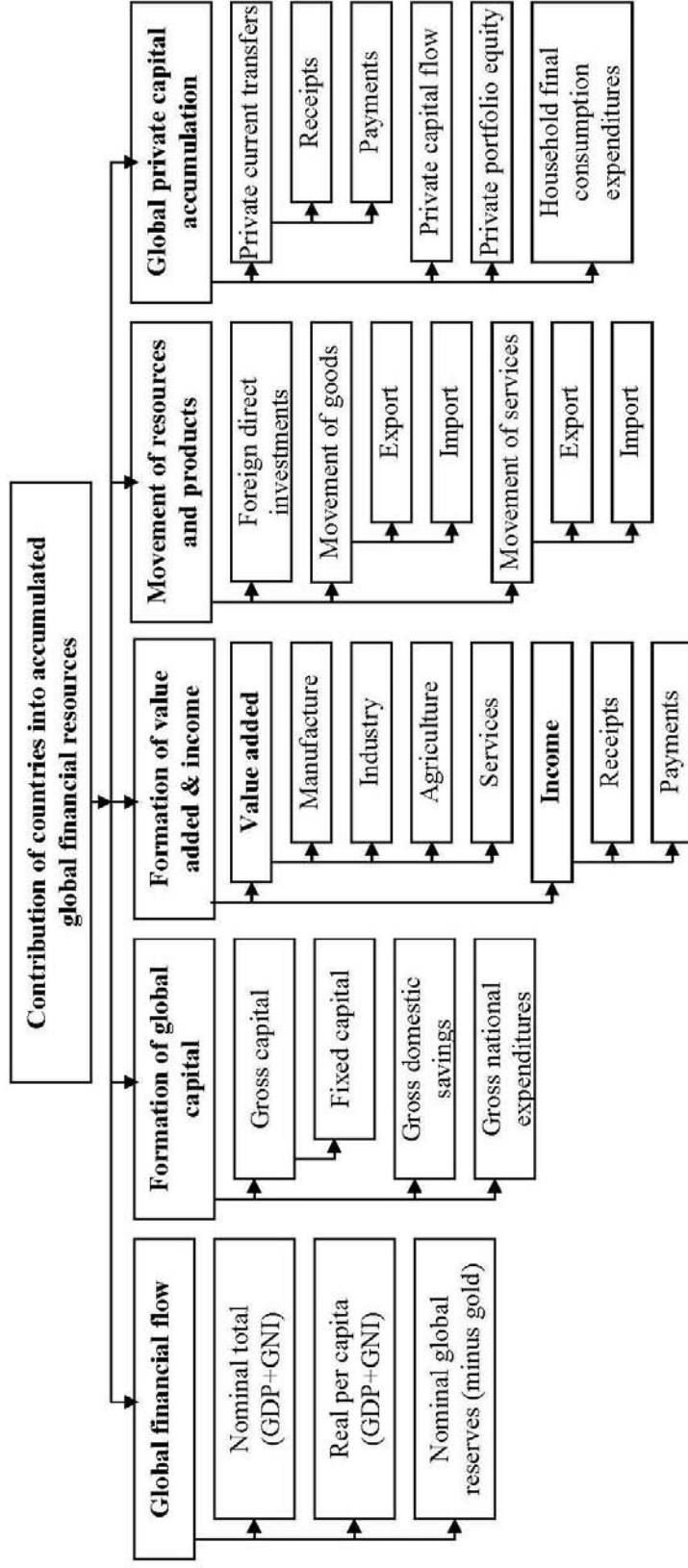


Fig. 1. Decomposition tree for analysis of redistribution of the global economic and financial power.

Basically increase in the share of Europe & Central Asia was obtained due to increase in prices for oil and gas – the basic export goods of Russia, which has provided more than 70% of GDP of the given region. So, the source of the growth is quite unstable and practically totally depended on market situation, but it shows the high level of dependence of the global economy from traditional energy resources.

More over, the annual growth of GDP and GNI has testifies that the settled distribution in the economic activity has been changed as well. If in 2000 the average annual growth in GDP was about 4.0% without strong leaders, in 2010 situation has been significantly changed. The undisputed leader of GDP growth is the South Asia (8.6%), the nearest “competitor” – East Asia & Pacific (6.71%), and the North America – 3.03%, EU – 2.2%. The same situation is with GNI - South Asia (8.36%), North America – 4.08%, EU – 2.28%.

Comparing the level of GDP and GNI per capita, attention was paid to real level of productivity: indexes were compared in constant level of USD in 2000. This analysis has testified that the world leaders in productivity are the same: North America (36 167 USD per capita) and EU (19 398 USD per capita). But if in these regions during 10 years GDP per capita has been increased on 6.9 and 10.6 % correspondently, the highest levels of growth are in South Asia (67.3% in GDP and 69.1% in GNI). Of course the level of GDP and GNI per capita in South Asia are almost in 48 times lower than in NA and in 26 times than in EU. But taking into account changes in contribution of the countries into the global GDP such trends gives the opportunity to suppose the gradual change of the global productivity leaders in the future. Such changes can be explained by global trends of moving the capital by international corporations toward cheap labor, capital and resources [16, 18].

Quite interesting trends have been identified during the analysis of GDP and GNI structure by the levels of income (table 2).

Table 2

Change of role of countries groups classified by level of income in creation of accumulated global financial resources

Groups of Countries (by level of income)	Changes in contribution of the country into accumulated global financial flow		Changes in productivity of the country in accumulation of national financial flow		Changes in contribution in creation of nominal global reserves (minus gold)
	in nominal GNI	in nominal GDP	real GNI per capita	real GDP per capita	
<b>High income</b>	<b>-17,6%</b>	<b>-17,5%</b>	<b>8,6%</b>	<b>8,8%</b>	<b>-25,1%</b>
<b>Upper middle income</b>	6,9%	7,0%	<b>67,9%</b>	<b>66,5%</b>	<b>13,0%</b>
<b>Middle income</b>	<b>8,8%</b>	<b>8,7%</b>	60,9%	59,3%	12,5%
Lower middle income	1,8%	1,8%	53,4%	51,2%	-0,5%
Low income	0,1%	0,1%	43,5%	36,4%	0,0%

*Source:* calculated on the basis of data [17]

For the last ten years the contribution of countries with high level of income has fallen on over 17% but they are still the leaders, which provide over 50% of global GDP and GNI. But the competitors are near. The gradual transference of the accents in creation of GDP is leading to shifting the accents on the countries with upper middle and middle income, which provided less than 17% of GDP in 2000 and now obtain over 40 % of it providing the over 60% level of annual growth. On this basis changes in contribution in creation of nominal global reserves, which allow to provide the required level of exchange rate and to execute the liabilities of the country, also confirms the trend of East Asia being the leader: in 2010 more than 58% of total reserves belonged to countries of East Asia & Pacific (comparing to 52.9% in 2000) including 57.9% of them to China (34% of global reserves in 2010 comparing to 8.7% in 2000), and share of North America has been decreased from 4.5% in 2000 to less than 2% in 2010.

Considering the influence of different groups of countries on creation of the accumulated global capital it should be mentioned that the global trends defined previously are deepened (table 3).

Table 3

## Change of role of countries groups in creation of accumulated financial capital

Groups of Countries (by regions of the World)	Changes in contribution of the group of countries into formation of capital and savings			
	gross capital formation	gross fixed capital formation	gross domestic savings	gross national expenditure
Europe & Central Asia	-0,9%	-0,3%	-1,0%	2,0%
European Union	-3,7%	-3,1%	-3,8%	-0,6%
Euro area	-2,9%	-2,4%	-3,0%	-0,2%
<b>North America</b>	<b>-12,8%</b>	<b>-12,6%</b>	<b>-12,4%</b>	<b>-7,5%</b>
Middle East & North Africa	2,0%	1,9%	1,9%	1,1%
<b>East Asia &amp; Pacific</b>	<b>6,8%</b>	<b>6,5%</b>	<b>6,2%</b>	<b>0,8%</b>
South Asia	2,7%	2,3%	2,0%	1,5%
Latin America & Caribbean	1,8%	1,9%	1,5%	1,5%

Source: calculated on the basis of data [17]

Accumulated capital is one of the indicators that illuminates the capacity of the country to create new goods and provides services. Changes in gross capital formation (formerly gross domestic investment) reflect movement of capital from one region to another and allow testifying the ability of the country to provide the real production and to create new jobs.

So, as it shown in the table 3 for the last ten years North America has lost the leading positions in creating the total and fixed capital by decreasing the share of gross capital formation from 30.2% to 17.4% and has skipped ahead East Asia & Pacific (36.9%). More over, if in 2000 East Asia & Pacific has directed on creation of capital 26.89% of GDP comparing to 20.55% in North America and 21.37% in EU, in 2010 North America directed 15.32% of GDP on creation of the capital, EU – 18.53%, but East Asia & Pacific – 25.47, in South Asia – 32.46%.

Distribution of gross domestic savings, which are the reflection of the gross national income minus total consumption and plus net transfers [17], has been changed as well (table 3) but not significantly. The top three leaders have remained the same: East Asia & Pacific, Europe & Central Asia and EU. But if in EU and Europe & Central Asia region there is a trend for reducing the share of savings, in East Asia & Pacific the opposite trend (the share in global savings has been increased on 6.2%).

Movement of the capital from countries with high income to countries with middle income (table 4) proves again the aspiration for optimization of financial and resources flows in the World.

Table 4

## Change of role of countries groups in creation of accumulated financial capital

Groups of Countries (by level of income)	Changes in contribution of the group of countries into formation of capital and savings			
	gross fixed capital formation	gross capital formation	gross domestic savings	gross national expenditure
<b>High income</b>	<b>-28,9%</b>	<b>-29,4%</b>	<b>-28,7%</b>	<b>-17,7%</b>
Upper middle income	11,9%	11,8%	12,1%	6,8%
<b>Middle income</b>	<b>14,4%</b>	<b>14,6%</b>	<b>14,4%</b>	<b>8,8%</b>
Lower middle income	2,5%	2,8%	2,3%	2,0%
Low income	0,1%	0,1%	0,0%	0,1%

Source: calculated on the basis of data [17]

Moving the enterprises (fixed capital and inventories) from highly developed to less developed regions is the necessity for the owners of the capital to survive in the competition. But deepening of such trend can lead to increasing dependence of the countries with high income on lower ones in the future. More over, such redistribution of capacities gradually leads to shifting the balance in income distribution and changing the participants of different classification groups. That's

mean that in the future the countries with upper middle and middle income will reach the level of high income countries and even may replace them in the given group.

## **2. CONTRIBUTION OF THE COUNTRIES INTO THE GLOBAL PRODUCTION AND INVESTMENTS: ORIENTATING TOWARD ASIA.**

The deeper analysis of economic activity of the enterprises reflected in the value added indicator and income has allowed defining the essential background for changes, considered earlier. In order to determine the basic changes in global distribution of production of goods and services and received income, value added was specified by manufacturing, industry, agriculture and services (table 5, 6). In accordance to obtained results the trend of loosing the leading positions by North America still exists. Moreover, in all named sectors the reduction of contribution is present and varies from 3.8% in agriculture up to 9.2% in industry. It should be mentioned that countries of East Asia & Pacific and Europe & Central Asia in 2010 have provided over 64% of total value added in global manufacturing, over 60% in industry, 55% in agriculture 56% in services.

Table 5

Change of role of countries groups in creation of value added and income  
by manufacturing sectors of economy

Groups of Countries (by regions of the World)	Changes in Value added				Changes in Income	
	Manufacturing	Industry	Agriculture	Services	Receipts	Payments
Europe & Central Asia	-1,2%	-0,5%	-5,3%	<b>3,8%</b>	1,3%	2,5%
European Union	-3,1%	-3,4%	-6,2%	1,3%	0,2%	-0,7%
Euro area	-2,0%	-2,3%	-5,3%	1,1%	<b>6,3%</b>	<b>4,4%</b>
<b>North America</b>	<b>-8,4%</b>	<b>-9,2%</b>	<b>-3,8%</b>	<b>-7,0%</b>	<b>-4,0%</b>	<b>-7,5%</b>
Middle East & North Africa	0,7%	2,2%	-0,5%	0,8%	-0,3%	-0,2%
<b>East Asia &amp; Pacific</b>	<b>5,9%</b>	<b>2,9%</b>	<b>5,4%</b>	-0,3%	n/a	n/a
South Asia	1,3%	1,3%	1,6%	1,3%	0,1%	0,2%
Latin America & Caribbean	1,5%	2,4%	1,1%	1,1%	-1,0%	-0,7%

*Source:* calculated on the basis of data [17]

Comparison of receipts and payments of income shows a little bit different situation – quite significant increase in receipts of income in Euro area comparing to payments. Unfortunately it's hard to assess the changes in income distribution because of lack of data for East Asia & Pacific. Stable trend of significant declining in contribution of income made by countries with high level of income (table 6) and increase in contribution of income made by countries with middle and upper middle income is quite deceptive. Over 82% of total income receipts and 65.5% of total income payments are conducted by countries with high level of income. Thus, the trend of dividing the process of manufacturing with process of managing the financial flows is evident.

Table 6

Change of role of countries groups in creation of value added by economic sectors

Groups of Countries (by level of income)	Changes in Value added				Changes in Income	
	Manufacturing	Industry	Agriculture	Services	Receipts	Payments
<b>High income</b>	<b>-21,6%</b>	<b>-23,3%</b>	<b>-11,8%</b>	<b>-15,1%</b>	<b>-13,9%</b>	<b>-24,5%</b>
Upper middle income	9,1%	9,7%	4,5%	5,9%	6,3%	10,2%
<b>Middle income</b>	<b>10,8%</b>	<b>11,6%</b>	<b>6,1%</b>	<b>7,5%</b>	<b>6,9%</b>	<b>12,3%</b>
Lower middle income	1,6%	1,9%	1,6%	1,6%	0,7%	2,1%
Low income	0,1%	0,1%	-0,4%	0,1%	0,0%	-0,2%

*Source:* calculated on the basis of data [17]

Besides, calculation of share of all Asian countries (plus former USSR countries) in global production has shown that they provide over 71% of total value added in manufacturing, 70% in industry, 75% in agriculture and 62% in services. This fact confirms the high level of dependence of the EU countries and North America from economic, political and nature conditions in countries with lower level of income (table 6). Besides, such dependence can't be compensated by controlling the financial flows because the background for creation of the biggest part of the financial flows is production of goods and services. Moreover, such misbalance may lead to increasing in degree of social and political tension in the countries with lower level of income that, in its turn, may cause the forced redistribution of the financial flows (nationalization and etc.)

Of course situation is changing. If in 2000 the level of income receipt of the countries with high level of income was 96%, in 2010 it has been declined to 82.1%, moving over 16% of receipts to the countries with upper middle and middle income (in payments 90% in 2000, 65.5% in 2010). But digging deeper, it can be shown that such changes were caused not only by intensive development of the countries with upper middle and middle income but also due to redistribution of the financial flows toward the off-shore zones and optimization of taxation by the transnational corporations.

Another critical issue in accumulation and distribution of the financial flows is creation of flows that accompanies the international movement of goods, services and financial capital. These flows are reflected in FDI and trade balance of the country.

Foreign direct investment, which can be considered as the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital, reflects the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor [17]. Data, presented in table 7, 8, show that in 2010 the structure of the FDI has been changed significantly.

Table 7

Changes of roles of groups of countries in creation of international movement of goods, services and financial flows (comparing 2000 to 2010 years)

Groups of Countries (by regions of the World)	Changes in FDI (net inflows)	Changes in Goods, services and income		Changes in Service	
		Exports	Imports	Exports	Imports
Europe & Central Asia	-27,6%	-0,9%	-0,5%	0,7%	0,4%
<b>European Union</b>	<b>-33,5%</b>	-2,7%	-2,7%	0,5%	-0,2%
Euro area	-22,5%	-1,3%	-1,4%	0,4%	0,2%
<b>North America</b>	<b>-7,3%</b>	<b>-5,2%</b>	<b>-6,5%</b>	<b>0,0%</b>	<b>-5,2%</b>
Middle East & North Africa	4,7%	0,9%	0,6%	0,2%	0,2%
<b>East Asia &amp; Pacific</b>	<b>22,4%</b>	<b>4,8%</b>	<b>5,1%</b>	<b>0,5%</b>	<b>3,4%</b>
South Asia	2,0%	1,0%	1,4%	0,2%	2,2%
Latin America & Caribbean	4,2%	-0,1%	-0,1%	0,1%	-0,7%

Source: calculated on the basis of data [17]

In 2000 over 76% of total FDI was made by EU and North America, and in 2010 this share has been declined to lower than 36 % (Table 7, 8). It should be mentioned that the biggest declining was obtained due to sharp decrease of investment activity in EU (-33.5%), contribution of which into global FDI has been fallen from 47.3% in 2000 to 13.8% in 2010.

On this background stable growth of the investment activity of East Asia & Pacific countries can be characterized as a global compensation of lack of investment activity in EU. Moreover, together all Asian region with former USSR countries obtain over 65% of global FDI. This fact from the one hand confirms the thesis about raising the dependence of EU and North America from the economic trends in the Asian region; from the other hand, it testifies the ability of business to adapt to the environmental and market changes and under conditions of globalization to move the capital to the most favorable business environment.

Table 8

Change of role of countries groups in creation of international movement of goods,  
services and financial flows

Groups of Countries (by level of income)	Changes in FDI (net inflows)	Changes in Goods, ser- vices and income		Changes in Service	
		Exports	Imports	Exports	Imports
<b>High income</b>	<b>-40,9%</b>	<b>-12,8%</b>	<b>-13,5%</b>	<b>-7,9%</b>	<b>-10,8%</b>
Upper middle income	15,8%	5,3%	5,1%	1,5%	3,6%
<b>Middle income</b>	<b>20,2%</b>	<b>6,4%</b>	<b>6,7%</b>	<b>3,8%</b>	<b>5,3%</b>
Lower middle income	4,4%	1,1%	1,6%	2,4%	1,7%
Low income	0,6%	0,1%	0,2%	0,1%	0,1%

*Source:* calculated on the basis of data [17]

It is interesting that, regarding the listed earlier significant changes in accumulation and distribution of the financial flows, the structure of export and import of goods and services has not been changed significantly by regions: the variation of percent of changes is not more than 6%. But if in EU and North America region change in share of global export is lower than changes in share of global export, which testifies the reducing in negative trade balance, in Asian region situation illustrates the stable trend to reaching the negative trade balance. Never the less, as it has been mentioned earlier, changes are not quite significant. The positive trade balance of the Asian region is in about 9 times greater than in EU and unlike North America, which has the biggest negative trade balance (over 523 billion of USD) in the World, Asia has a positive one. Thus, such changes can be considered as weak signals about risk of negative trade balance for the Asian region. From the other hand, high dependence of North America from import of goods and services makes a real threat of suffering from unstable economic, political and social situation in other countries, and even make the North America strongly dependent from the natural disasters in other countries, which provide it with goods and services.

### **3. PRIVATE FINANCIAL FLOWS: MOVING FROM AMERICA TO EUROPE.**

Analysis of the global accumulation of the financial flows and distribution of the economic and financial power will be incomplete without analysis of accumulation and distribution of the private capital. In this case the attention should be paid to such indicators as private transfers, private capital flows, portfolio equity and household final consumption. These indicators allow defining the social basis for the future development of the economy.

Exactly self initiative of private persons, who are the owners of business capital, labor, land, etc., is the requirement for the further development of any economic system. For example, exactly lack of willingness of business owners to invest inside the country is the essential cause of crisis in Ukraine [2]. The same situation is in other countries of former USSR.

For the present, the scientists, which are the followers of the institutional theory, confirm the thesis about essential role of self initiative and willingness of the owner of the capital to do something in order to develop the economy [1, 8, 9]. So, it can be affirmed that creation, accumulation and distribution of the private capital is the economic and social basis for intensification the economic growth.

Analysis of formation, accumulation and distribution of the private capital, presented in table 9 and 10, shows that on the private level the picture of the economic and financial power distribution differs significantly from the global trends on the industrial and trade market.

Let's name the principle trends on this market. First of all, personal transfers, which consist of all current transfers in cash or in kind made or received by resident households to or from non-resident households [17], has been redistributed from North America to Euro area inside EU to Europe & Central Asia (unfortunately data about transfers in East Asia & Pacific regions are not available).



Table 9

## Change of role of countries groups in creation of global private capital flows

Groups of Countries (by regions of the World)	Changes in Private current transfers		Changes in Private capital flows, total	Changes in Portfolio equity, net inflows	Changes in Household final consumption expenditure
	payments	received			
Europe & Central Asia	4,3%	-8,5%	<b>61,9%</b>	-9,8%	<b>2,9%</b>
European Union	-0,7%	-8,2%	46,7%	-7,4%	0,3%
Euro area	<b>5,2%</b>	-8,4%	49,5%	<b>23,7%</b>	0,7%
<b>North America</b>	<b>-4,1%</b>	<b>-1,6%</b>	<b>-69,6%</b>	<b>-8,0%</b>	<b>-6,3%</b>
Middle East & North Africa	0,7%	0,3%	4,9%	-0,2%	1,0%
East Asia & Pacific	n/a	2,1%	n/a	7,7%	-0,8%
South Asia	0,5%	<b>6,4%</b>	3,7%	3,5%	1,2%
Latin America & Caribbean	0,8%	-1,9%	-1,8%	5,4%	1,6%

Source: calculated on the basis of data [17]

More over, private persons from countries with high income level have reduced all kinds of private transfers. Instead of this trend, transfers to countries with middle and lower middle income have been raised significantly. This trend can be explained by that fact, that private transfers can be considered as payments for using the labor from developing countries by developed countries. So this flow is opposite to movement of labor and reflects the trend of searching for the cheap labor resources by developed countries. Because of financial and economic crisis of 2008-2009 in order to provide the stable social situation in the region governments of developed countries have started to stimulate the domestic producers to prefer domestic labor resources. Thus, the jobs earlier obtained by emigrants have been gained by domestic workers and the level of international private transfers has fallen down.

Table 10

## Change of role of countries groups in creation of global private capital flows

Groups of Countries (by level of income)	Changes in Private current transfers,		Changes in Private capital flows, total	Changes in Portfolio equity, net inflows	Changes in Household final consumption expenditure
	payments	received			
<b>High income</b>	<b>-18,0%</b>	<b>-11,1%</b>	<b>-49,6%</b>	<b>-24,3%</b>	<b>-13,5%</b>
Upper middle income	6,9%	-0,7%	16,9%	8,0%	4,9%
<b>Middle income</b>	<b>9,0%</b>	<b>4,9%</b>	<b>24,8%</b>	<b>12,1%</b>	<b>6,7%</b>
Lower middle income	2,1%	5,7%	7,9%	4,2%	1,8%
Low income	0,1%	1,3%	0,0%	0,0%	0,1%

Source: calculated on the basis of data [17]

Trends in private capital flows that consist of net FDI, portfolio investment and equity securities (flows from shares, stocks, depository receipts, and direct purchases of shares in local stock markets by foreign investors), are practically equal to FDI trends considered earlier. But they are deepened by negative trends caused by crisis on the stock and debt market. Moreover, new requirements for providing the transparency of the trade contracts, insuring of the operations on the stock market have led to falling down in volumes and quantities of contracts on the stock markets. Thus, decreasing activity of the financial market, reducing number of speculative transactions – all these trends have led to declining the international movement of private capital. From the other hand, in 2000 the biggest operators on the private capital market were countries with high level of income, which obtained more than 95% of portfolio equity, 76% of private capital flows and over 95% of payments in form of private current transfers. In 2010 private capital flows have been distributed between three players: 36.2 % - countries with middle income, 27.3 % - countries with upper middle income and 26.8% - countries with high level of income, who have suffered the most from the financial crisis 2008-2009. So, the trend of shifting the balance in financial and economic power is supported on the private level.

Another trend that should be underlined is propensity to save instead of propensity to consume, which is confirmed by the international experts [16]. There are two practically opposite trends in the global economy: the first one – “to earn more & to spend more”, which has place in quickly developed regions (Europe & Central Asia, East Asia & Pacific); the second one – “to spend less to save more”, which has place in EU and North America.

These trends from the one hand provide some kind of financial balance between different parts of the world but from the other hand they are clear signal for international corporations to consider Europe & Central Asia and East Asia & Pacific as the most perspective market for implementation of innovations, widening the luxury market and introducing high-tech novelties in order to obtain the additional extra-profit.

## *CONCLUSIONS*

In the result of the structural analysis of the global trends of accumulation of the financial resources and distribution of economic and financial power the basic trends were defined:

- high level of dependence of the global economy from traditional energy resources, which is reflected in the redistribution of the financial power and the financial flows between exporters and importers of the energy resources;

- gradual transference of the accents in creation of GDP on the countries with upper middle and middle income and gradual change of the global productivity leaders in the future which can lead to increasing dependence of the countries with high income on lower ones in the future;

- the countries with upper middle and middle income will may reach the level of high income countries and even may replace them in the given group;

- high level of dependence of the EU countries and North America from economic, political and nature conditions in countries with lower level of income is the strong signal to EU and NA countries to diversify their sources of financial, labor and natural resources, to create regional system of insurance of such dependence;

- the ability of business to adapt to the environmental and market changes and under conditions of globalization to move the capital to the most favorable business environment should be one of the priorities in the government and international monitoring and regulation because of possibility of depletion of the financial resources needed for intensive development of the domestic economy;

- the necessity to take into account the clear signal for international corporations to consider Europe & Central Asia and East Asia & Pacific as the most perspective market for implementation of innovations, widening the luxury market and introducing high-tech novelties.

The following researches should be dedicated to defining the mechanism of monitoring and control of changes in distribution of financial and economic power and providing such distribution with an adequate economic, social, resource and financial basis.

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